



Feed the Future Country Fact Sheet

Online Version: <https://www.feedthefuture.gov/article/community-owned-savings-groups-improve-access-capital-cambodia>

Community-Owned Savings Groups Improve Access to Capital in Cambodia



Fintrac Inc.

These women are part of a savings group in Siem Riep province. Feed the Future works with community-based savings groups in four target provinces to improve access to loans that will help grow businesses to increase incomes for poor rural households.

At one time, Korm Koemsang, a noodle seller in Siem Reap province, could not get a modest loan to expand her small business. "I didn't have land to apply for credit," she said.

In Cambodia, microfinance institutions require land for collateral, and high-interest lenders put credit out of reach for most resource-poor people in rural areas. Recognizing this problem, a Feed the Future project helped establish 146 community-based savings groups in remote, rural locations.

Community-based savings groups elect their own leaders and establish the financial structure and lending terms collectively. Group members regularly contribute to a savings fund and are eligible to apply for small loans from that fund. The money extended goes toward activities that support the local economy, such as purchasing inputs for small businesses. The loans are dispersed to group-member applicants by consensus and at interest rates that are far below those of microfinance institutions or informal lenders.

With three small loans totaling \$215, Korm purchased household goods to sell at her noodle stall and bought feed for her pigs. "The savings group provides access to capital so that we can start small businesses," she said. "We didn't have a way of doing that before." The vast majority of the 2,660 members have few resources or options for credit.

By earning interest, the savings group collectively increased the value of their assets by 6 percent. The vast majority of the 2,660 members have few resources or options for credit.

In Korm's village, the nearly 30 members in her group have secured good returns on investments. These returns include

higher income generated by purchases made with the loans and by interest payouts for loans that borrowers have made. The group has granted 25 loans to date worth \$2,220, helping borrowers buy pigs, start cassava fields, pay for medical care, and purchase rice fertilizer.

Through the Feed the Future project, the groups gave out more than 6,500 loans worth \$347,200; average loans are about \$50. Half of these loans supported agricultural activities, 17 percent funded microenterprise operations, 10 percent went toward medical care expenses, and 23 percent enabled necessary household purchases. Additionally, the savings groups give women an opportunity to experience economic freedom and empowerment, as many women don't traditionally control their households' finances.

To ensure the sustainability of these savings groups, Feed the Future completed handover workshops for all program-supported groups by March 2016. During the workshops, the local communities learned the status of the savings fund groups so that they could effectively manage them, and Feed the Future formally transferred the management responsibility of groups from the project to local stakeholders.

Providing a steady and reliable source of capital encourages the development of small businesses and increases a household's income, which in turn boosts food security. When community-based organizations act as conduits for capital, it ensures the involvement of all people and empowers those left out of the traditional market for loans.

"I'm making money on the new business," Korm said. "It was a good decision to take out the loans."